PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as at March 31, 2012, and the statement of operations and accumulated operating surplus, and statement of changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

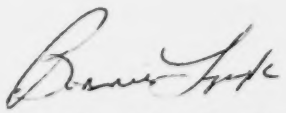
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pastures Revolving Fund as at March 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
July 20, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

1500 Chateau Tower – 1920 Broad Street Regina, Saskatchewan S4P 1Y2
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
www.auditor.sk.ca

PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2012	2011
Financial Assets		
Accounts receivable	$ 295,707	$ 178,446
Liabilities		
Accounts payable	379,872	395,406
Unearned revenue	884,765	845,618
Accumulated net expenditure (Statement 3)	2,641,232	2,212,209
	3,905,869	3,453,233
Net Debt	(3,610,162)	(3,274,787)
Non-Financial Assets		
Inventory	211,778	151,062
Tangible capital assets (Note 5)	4,306,206	4,031,944
	4,517,984	4,183,006
Accumulated Operating Surplus (Statement 2)	$ 907,822	$ 908,219

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2012	Actual 2012	Actual 2011
REVENUES			
Grazing	$ 6,108,227	$ 5,911,225	$ 5,405,682
Petroleum and gas leases	2,046,495	2,035,289	2,067,050
Bull wintering	101,400	117,700	137,127
Timber sales	-	(242)	5,872
House rent	47,970	26,370	34,380
Seismic and easement	55,181	99,573	73,073
Hay Sales	-	(375)	14,090
Gain on disposal of tangible capital assets	-	37,034	-
Other	13,000	121,563	16,983
	8,372,273	8,348,137	7,754,257
EXPENSES			
Salaries	3,685,709	3,559,627	3,551,930
Repairs and improvements	1,219,994	1,563,606	758,012
Taxes	896,286	815,020	923,613
Seed and forage	184,575	190,133	136,013
Rent of equipment, horses and other	295,415	269,918	286,945
Amortization	488,532	474,749	470,493
Travel	378,400	390,627	306,744
Small tools, equipment and supplies	356,215	551,203	301,259
Computer services	172,000	130,186	128,063
Utilities	129,050	167,880	138,863
Veterinary fees and supplies	68,600	68,191	68,314
Telephone and communications	79,120	69,971	78,818
Bad debt expense	-	20,822	529
Freight and postage	21,905	11,522	28,574
Advertising and printing	4,700	5,007	7,981
Loss on disposal of tangible capital assets	-	-	11,277
Other	59,311	60,072	58,911
	8,039,812	8,348,534	7,256,339
Net (loss) income	$ 332,461	(397)	497,918
Accumulated operating surplus, beginning of year		908,219	410,301
Accumulated operating surplus, end of year - to Statement 1		$ 907,822	$ 908,219

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2012	2011
Financing required for (provided by) operating activities:		
Net loss (income)	$ 397	$ (497,918)
Items not affecting cash:		
Amortization	(474,749)	(470,493)
Bad debt expense	(20,822)	(529)
Gain (loss) on disposal of tangible capital assets	37,034	(11,277)
Net decrease (increase) in working capital items related to operations (Note 9)	175,186	(143,015)
	(282,954)	(1,123,232)
Financing required for (provided by) investing activities:		
Purchase of tangible capital assets	760,804	423,722
Proceeds from sale of tangible capital assets	(48,827)	(8,552)
	711,977	415,170
Net increase (decrease) in financing requirements	429,023	(708,062)
Accumulated net expenditure, beginning of year	2,212,209	2,920,271
Accumulated net expenditure, end of year – to Statement 1	$ 2,641,232	$ 2,212,209

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as another government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 9.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office Equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 100% of the above rates in the year of acquisition and are not amortized in the year of disposal.

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized when the timber is harvested and its value is determined.

f) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue that will be earned in future periods and overpayments from patrons that will be applied to future fees. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Tangible Capital Asset Thresholds

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to

be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

At March 31, 2012 the Revolving Fund had an accumulated operating surplus of $907,822. To address the excess surplus of $207,822, management requested approval from Treasury Board for its plan to pay the excess surplus to the General Revenue Fund in 2012-13.

5. Tangible Capital Assets (TCA)

	March 31, 2012						March 31, 2011
	Buildings	Land	Land Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Net Book Value of TCA	$366,567	$19,000	$2,350,441	$ -	$1,295,936	$4,031,944	$4,098,545
Opening Cost	$625,198	$19,000	$4,120,743	$43,663	$3,152,935	$7,961,539	$7,676,287
Additions During the Year	44,850	-	441,525	-	274,429	760,804	423,722
Disposals	(16,730)	-	(11,954)	-	(19,322)	(48,006)	(138,479)
Closing Cost	$653,318	$19,000	$4,550,314	$43,663	$3,408,042	$8,674,337	$7,961,530
Opening Accumulated Amortization	$258,631	$ -	$1,770,302	$43,663	$1,856,999	$3,929,595	$3,577,742
Annual Amortization	31,848	-	190,378	-	252,523	474,749	470,493
Disposals	(4,937)	-	(11,954)	-	(19,322)	(36,213)	(118,649)
Closing Accumulated Amortization	$285,542	$ -	$1,948,726	$43,663	$2,090,200	$4,368,131	$3,929,586
Ending Net Book Value of TCA	$367,776	$19,000	$2,601,588	$ -	$1,317,842	$4,306,206	$4,031,944

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the

Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2012	2011
Financial statement category:		
Expenses	$ 294,259	$ 338,399
Purchase of tangible capital assets	-	29,619
Accounts payable	60,116	43,712
Accounts receivable	-	-

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $386,906 at March 31, 2012 with an allowance for doubtful accounts of $91,199. Some of the receivables were received shortly after year end reducing the credit risk.

9. Net Change in Working Capital Items Related to Operations

	2012	2011
Working capital changes:		
Increase (decrease) in accounts receivable	$ 138,083	$ (94,694)
Increase (decrease) in inventories held for consumption	60,716	(12,672)
Decrease (increase) in accounts payable	15,534	(561)
(Increase) decrease in unearned revenue	(39,147)	(35,088)
Total	$ 175,186	$ (143,015)